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AUTHOR Jung, Steven M.
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ABSTRACT

Two U.S. Department of Education (ED) systems for establishing the initial eligibility and monitoring the performance of postsecondary institutions that participate in ED financial assistance programs were assessed. The evaluation was designed to describe and evaluate the eligibility and certification functions of ED's Eligibility and Agency Evaluation Staff, and Division of Certification and Program Review in the Office of Postsecondary Education. Estimates were provided of the burdens on postsecondary institutions and the effectiveness and efficiency of the two systems. Conclusions include: the systems are effective; although few people perceive the ED eligibility system to be burdensome, several institutional officials did not understand the necessity for submitting a new Form 1059 to update their schools' eligibility status; few people understand ED's policies for levying fines; too many small institutions enter the Title IV programs without adequate administrative expertise; procedures of the Institutional and Lender Certification Branch need clarification; the lack of a workable automated data processing system for eligibility files adversely affects efficiency; recertification following a routine change of ownership is extremely slow; and a considerable proportion of Program Review Branch staff effort is spent in smaller schools. Recommendations for each problem area are offered. (SW)

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TABLE OF CONTENTS

	<u>Page</u>
I. Introduction.....	1
II. A Description of the ED Institutional Eligibility and Compliance Monitoring Systems.....	3
III. Estimated Institutional Reporting Burden Created by the ED Eligibility and Certification/Compliance Monitoring Systems.....	27
IV. Effectiveness of the ED Institutional Eligibility and Certification/Compliance Monitoring Systems.....	35
V. References.....	61

LIST OF TABLES

Table 1. Programs Requiring EAES Eligibility Determination (8/81)	7
Table 2. Eligible Postsecondary Institutions.....	9
Table 3. Postsecondary Institutions Certified for Participation (FY 1981 Estimates).....	13
Table 4. Transactions Processed by the EAES Occupational School Eligibility Unit, July 1981-July 1982.....	37
Table 5. Transactions Processed by the Institutional and Lender Certification Branch, FY1982 (Approximate Numbers).....	39
Table 6. Factors for 1982 Program Review Priority Determination	42
Table 7. Areas Normally Covered by Program Review.....	44
Table 8. Summary of FY1982 Actions Undertaken and Completed by Participation Control Branch.....	47
Table 9. Summary of Comparison Between EAES Eligibility Letters and CASPER Eligibility Listings for Two Percent Random Sample of Institutions (N=255).....	51

LIST OF FIGURES

	<u>Page</u>
Figure 1. Organization of the Eligibility and Agency Evaluation Staff.....	12
Figure 2. Simplified Function Model of Initial Eligibility Determination Process.....	14
Figure 3. Simplified Function Model of Eligibility Renewal Process.....	15
Figure 4. Simplified Function Model of Eligibility Termination Process.....	16
Figure 5. Organization of the Certification and Program Review Division.....	18
Figure 6. Simplified Function Model of Initial Institutional Certification Process (Fell Grant Program, Guaranteed Student Loan Program).....	22
Figure 7. Simplified Function Model of Institutional Certification Process (Campus-Based Programs).....	23
Figure 8. Simplified Logic Model of Certification and Program Review Processes.....	24
Figure 9. Simplified Function Model of Participation Control Process.....	25

I. INTRODUCTION

This report is the final product of a four-month assessment of two U.S. Department of Education (ED) systems for establishing the initial eligibility and monitoring the performance of postsecondary institutions that participate in ED financial assistance programs. The study was funded by the Office of Planning, Budget, and Evaluation to provide: (1) a detailed description of the two systems; (2) an estimate of their burdens on postsecondary institutions; (3) estimates of their effectiveness and efficiency, based on available data; and (4) recommendations for feasible improvements where problems were noted.

In conducting the study, the author was given considerable cooperation and assistance by personnel of the Eligibility and Agency Evaluation Staff (EAES) and the Division of Certification and Program Review (DCPR) in the ED Office of Postsecondary Education. That aid is gratefully acknowledged.

The remainder of this report is divided into four chapters in accordance with the four purposes listed above.

II. A DESCRIPTION OF THE ED INSTITUTIONAL ELIGIBILITY AND COMPLIANCE MONITORING SYSTEMS

Background

Beginning with the Korean G.I. Bill of 1952 (P.L. 82-550), the federal government recognized the need to exercise some form of oversight over postsecondary institutions that were receiving public funds. This recognition stemmed from a series of well-publicized abuses of the first G.I. Bill, in which World War II veterans were cheated or ill-served by schools whose promises of educational services considerably exceeded their ability to deliver. The form of oversight initiated in 1952, and still administered by the Veterans Administration (VA) today, was a system of state-operated approving agencies whose mission was to review educational programs and screen out fraudulent or substandard ones prior to their enrollment of veterans. This system recognized the basic tenet of state authority over educational program quality and probity, but it also allowed state agencies to exempt from their scrutiny programs that were accredited by nationally recognized private nongovernmental accrediting agencies. In permitting this exemption, the Congress left it up to the U.S. Commissioner of Education to determine which accreditation agencies were sufficiently "recognized" for state agencies to accept their judgments.

The VA state approving agency system, with its optional and adjunct use of accrediting agencies, did serve to curb many of the previous abuses. But it was (and is) a costly system, both in terms of VA outlays to states to reimburse their costs for approving programs and in terms of the institutional staff time consumed in obtaining approval for every course of study offered to veterans. When the National Defense Education Act of 1958 (P.L. 85-864) set up a system of direct federal loans to students in higher education institutions, Congress provided a less costly system; eligible institutions were defined as those (1) authorized by the states in which they were located and (2) accredited by a nationally recognized agency, again as determined by the Commissioner of Education. Neither state authorization nor private accrediting required a federal

subsidy. Yet the result was an eligibility "system" through which the public might have some assurance that federal funds flowed only to ethical and high quality institutions. Various authors (e.g., Orlans, et al., 1974) have documented how this rather simple system for determining eligibility of institutions evolved into one of considerable complexity, including: (1) a formal regulatory procedure for applying qualitative and procedural standards to the process by which the Education Commissioner (now Secretary) recognizes accreditation agencies; (2) addition of state agencies as acceptable authorities for determining eligibility of public vocational and nursing education institutions; and (3) evolution of a number of alternatives to accreditation as a prerequisite to eligibility. An Accreditation and Institutional Eligibility Staff (AIES) was established in the Office of Education in 1968 to administer this "tripartite" eligibility system, so called because it required the separate judgments of three agencies--the state, the recognized accreditation body, and AIES--before eligibility could be conferred on an institution that sought participation in federal assistance programs.

Growth in the formality and complexity of the tripartite eligibility system occurred simultaneously with tremendous expansion of federal postsecondary assistance programs, especially the student assistance programs established by the Higher Education Act of 1965. These include the Guaranteed Student Loan Program, the Pell Grant (formerly Basic Educational Opportunity Grant) Program, and the Campus-Based Programs (National Direct Student Loans, College Work-Study, and Supplemental Educational Opportunity Grants). As participation in these programs offered more lucrative financial returns, the necessity of restricting participation only to ethical institutions that offered educational programs of reasonable quality became more urgent. Student consumer protection became an oft-repeated watchword of the early '70s, as it became apparent that state authorization and private accreditation were not sufficient to prevent abusive institutions from gaining eligibility. In a 1975 study of the consumer protection function in postsecondary education, the present author (Jung, et al., 1977a) called for a number of improvements in the tripartite eligibility system, including:

- State licensing and authorizing agencies needed to strengthen their institutional oversight, using both improved legislation (such as a model statute drafted by the Education Commission of the States in 1972) and enhanced monitoring and enforcement capabilities.
- Private accrediting agencies needed publicly to accept as part of their standard responsibilities the assurance that accredited institutions met at least minimal standards of probity and quality.*
- Students needed to be better educated regarding the nature of potential institutional abuses and how to detect and avoid them.
- The Office of Education (OE) needed to implement authority granted to it by the Education Amendments of 1972 to limit, suspend, and/or terminate (L, S, & T) Guaranteed Student Loan Program participation of institutions found in violation of reasonable standards of financial responsibility and institutional capability.

Motivated partially by the perceived reluctance of accreditation agencies to take a more active role in "policing" their own ranks, OE moved in 1975 to implement the L, S, & T authority (which was broadened to include all Higher Education Act Title IV programs by the Education Amendments of 1976). In so doing, it added an entirely new eligibility threshold to the tripartite system administered by AIES (which in 1976 became the Division of Eligibility and Agency Evaluation--DEAE). This new threshold required already-eligible institutions to seek, obtain, and maintain permission to participate in each program; the separate Title IV program eligibility system came to be called program certification, and the regulations for its maintenance came to be administered by new Certification and Program Review and Compliance Monitoring Divisions within the Bureau of Student Financial Assistance. After 1977, these certification and compliance monitoring units had the authority effectively to preclude or terminate the participation of

*Manning (1977) has described the sometimes bitter debate that resulted when AIES tried unsuccessfully to require such acceptance as a condition of OE recognition.

any institution in any Higher Education Act Title IV program based upon a finding of substantial misrepresentation, maladministration, or financial instability.

The initial institutional eligibility system, administered now by the Eligibility and Agency Evaluation Staff (the successor to AIES and DEAE), and the Title IV program certification and compliance monitoring system, administered now by the Division of Certification and Program Review in the Office of Student Financial Assistance, are the subjects of this chapter. In the sections that follow, their goals, organizational structures, functions, and interactions are described. In later chapters of this report, recommendations will be provided regarding possible changes that could improve their effectiveness and efficiency.

Institutional Eligibility System

Introduction

The institutional eligibility system represents an initial threshold for participation in some 25 Department of Education (ED) financial aid programs--including all of those established by the Higher Education Act of 1965 (HEA) as amended--as well as numerous non-ED programs. Table 1 contains a list of the programs that currently depend on the Eligibility and Agency Evaluation Staff (EAES) to declare institutions eligible for participation. For all programs listed in Table 1 except those under HEA Title IV, the EAES eligibility determination process represents the only substantive screening required.

Table 2 illustrates the total universe of institutions that are currently eligible for one or more ED programs, broken down by type of institution and nature of institutional accreditation (or accreditation alternative).

Table 1

Programs Requiring EAES Eligibility Determination (8/81)

Department of Education Programs

- Higher Education Act of 1965, Title I (Community Service and Continuing Education)
- Higher Education Act of 1965, Title II (College Library Programs)
 - Resources
 - Training
- Higher Education Act of 1965, Title III (Institutional Aid Programs)
 - Strengthening
 - Special Needs
 - Challenge Grants
- Higher Education Act of 1965, Title IV (Student Assistance)
 - Pell Grants
 - Supplementary Educational Opportunity Grants
 - Special Programs for Disadvantaged Students (TRIO)
 - Veterans Cost of Instruction
 - Guaranteed Student Loans (and Parent Loans for Undergraduate Students)
 - College Work-Study
 - National Direct Student Loans
- Higher Education Act of 1965, Title VII (Academic Facilities)
 - Construction Grants (Graduate and Undergraduate)
 - Construction Loans and Interest Subsidies
- Higher Education Act of 1965, Title VIII (Cooperative Education)
- Higher Education Act of 1965, Title IX (Graduate)
 - Public Service Grants
 - Postsecondary Graduate and Professional Fellowships
 - Public Service Fellowships
 - Other Fellowships
 - Law School Clinical Experience

(Table 1, continued)

- Vocational Education Act of 1963
 - Contracts with Private Vocational Institutions
- Education for the Handicapped Act
 - Training and Personnel Development
- Harry S. Truman Memorial Scholarship Act
- National Technical Institute for the Deaf Act
- Tribally Controlled Community College Act

Programs Outside ED

- Housing Act
 - College Housing Construction and Rehabilitation
- Public Health Service Act (Health Manpower)
 - Capitation and Program Development Grants
 - Student Grants, Scholarships, Traineeships, and Loans
 - Construction of Facilities
 - Training and Personnel Development
 - Technology Demonstrations
- Immigration and Nationalization Act
 - Alien Student Visas
- Veterans Administration (Various Acts)
 - Medical School Pilot Programs
 - Survivors and Dependents Programs
- Armed Forces (Various Acts)
 - Educational Assistance Programs
- State Technical Services Act
- Social Security Act
- Justice System Improvement Act
- Depository Library Act

Table 2

Eligible Postsecondary Institutions*

	<u>February 2, 1981</u>	<u>March 10, 1982</u>
<u>Collegiate Degree-Granting</u> <u>(Four-Year and Higher)</u>		
Accredited and preaccredited	1,926	1,938
Not accredited or preaccredited** (excludes 1 for Directory only)	36	39
<u>Two-Year Colleges and Institutions</u>		
Accredited and preaccredited	1,202	1,263
Not accredited or preaccredited**	13	12
Subtotal	<u>3,177</u>	<u>3,252</u>
<u>Occupational Schools</u>		
Accredited or state approved***	4,590	5,025
Not accredited or state approved	722	724
Subtotal	<u>5,312</u>	<u>5,749</u>
(Subtotal--All U.S. institutions:	8,489	9,001)
<u>Foreign Colleges, Universities, and</u> <u>Vocational Schools</u>		
Not accredited	862	1,200
Total	<u>9,351</u>	<u>10,201</u>

*Based on statutory requirements for eligibility to participate in at least one financial assistance program administered by the Department of Education.

**Predominantly three-institutional certification of acceptability of transferred credits.

***State agencies recognized by the Secretary of Education for the approval of public postsecondary vocational education.

Goals of the System

The primary goal of the ED eligibility system is to restrict the award of federal funds to institutions of acceptable stability, probity, and program quality. This goal is to be implemented by requiring adherence to three types of prerequisites to eligibility:

- State authorization, a process usually concerned with basic institutional stability and probity, but one that varies considerably in depth, stringency, and consistency of application across the 50 states and District of Columbia (see, for example, Jung et al., 1977b; Krech, 1981); it is conducted by state licensing and oversight agencies in all but three states.
- Institutional accreditation or an acceptable alternative thereto, a process usually concerned with requiring minimal educational quality and then enhancing it through self-study and constructive peer review; it is conducted by six major regional associations and numerous professional and specialized associations whose accreditation judgments are nationally recognized (as determined by their adherence to a set of qualitative and procedural criteria applied by the Secretary of Education, with guidance from an Advisory Committee on Accreditation and Institutional Eligibility and staff support from EAES). Alternatives include "satisfactory assurance" of impending accreditation (an option implemented operationally by recognized accrediting associations through award of "candidate for accreditation" status); the "three-institutional-certification" process, whereby officers of three accredited institutions certify in writing that they have accepted for transfer credits earned by students in unaccredited institutions; and for public postsecondary vocational and nursing education institutions, approval by an EAES-recognized state agency.
- Program-specific requirements imposed by the eligibility language of individual assistance program statutes and regulations, such as limitations on types of students who are admitted, length and objectives of educational programs offered, and length of time in existence; these are applied by EAES.

EAES Organizational Structure

The Eligibility and Agency Staff is divided into two major sections, in accordance with its two major responsibilities: supporting the Secretary of Education's accreditation agency recognition process and determining

institutional eligibility. The Institutional Eligibility Section, in turn, is divided into two units, one taking responsibility for all degree-granting institutions (the College Eligibility Unit) and the other for institutions that do not award degrees (the Occupational School Eligibility Unit). The EAES organization is portrayed graphically in Figure 1. In addition to indicating reporting relationships, Figure 1 also indicates the current staffing levels for EAES.

It is worth noting here that the Institutional Eligibility Section carries out several other responsibilities in addition to those directly connected with determining institutional eligibility. These include: maintaining continuous communications and liaison with nationally recognized accreditation agencies and state authorizing and oversight agencies (especially regarding these agencies' roles in providing the foundations upon which institutional eligibility is based); providing staff support in the preparation of ED regulations related to institutional eligibility; preparing and revising justifications for OMB clearance of eligibility-related data collection forms; and handling all correspondence and communications with Congress and the general public regarding basic institutional eligibility issues.

EAES Functions in Determining Institutional Eligibility

Staff of the College and Occupational School Eligibility Units carry out a continuing series of operations focusing on the following functions:

- Determining initial eligibility (new or previously terminated institutions).
- Renewing eligibility for institutions that experience significant changes (e.g., in name, control, or number of affiliated campuses).
- Terminating eligibility for institutions that permanently close or otherwise lose their statutory prerequisites for eligibility (e.g., lose their accreditation or state authorization to operate).
- Maintaining files on and communicating with other ED and non-ED partners in the eligibility determination process regarding the current status of all eligible institutions.

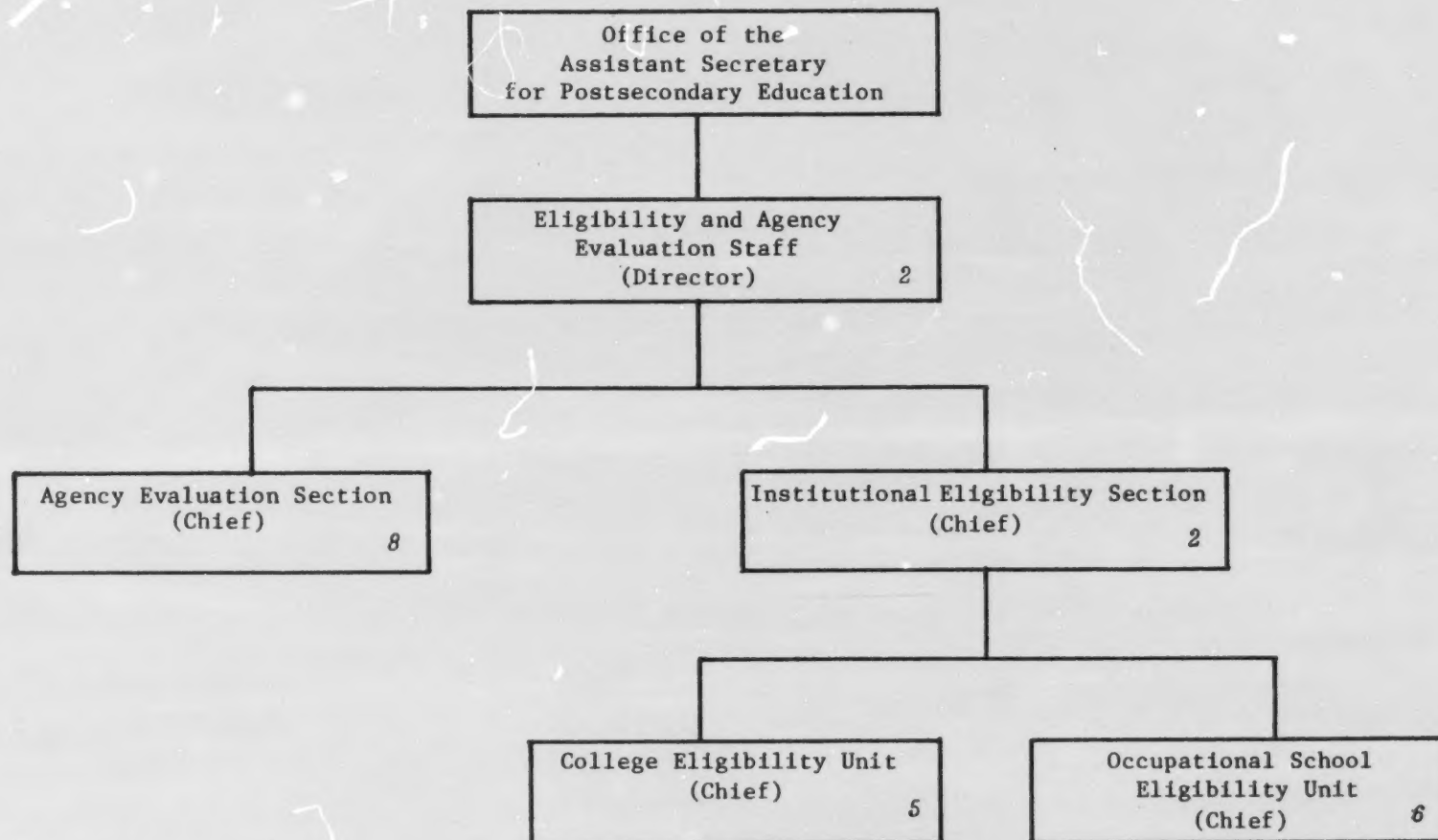


Figure 1. Organization of the Eligibility and Agency Evaluation Staff
(current staffing shown in italics)

- Every three years, or as time permits, reviewing and updating the eligibility status of eligible institutions.

The first three of these functions are displayed graphically in Figures 2-4 on the following pages. With regard to the last two functions, attempts have been made to computerize the maintenance of records and the communication of information in these records to other ED programs. For reasons that will be discussed in later chapters of this report, these attempts have failed. At present, all files are maintained manually and all information is communicated in writing.

Program Certification and Compliance Monitoring System

Introduction

First established in 1976, the ED program certification and compliance monitoring system exercises stewardship over the Higher Education Act Title IV student assistance programs, whose combined budget authority this fiscal year (1983) exceeds \$6.5 billion. The latest available estimates regarding the numbers of institutions currently certified to participate in each of the Title IV programs are presented in Table 3. Over 8,000

Table 3

Postsecondary Institutions Certified for Participation (FY 1981 Estimates)*

Guaranteed Student Loan and Parent Loans for Undergraduate Students:	8,000
Pell Grants:	6,000
Campus-Based Programs:	
Supplemental Educational Opportunity Grants:	3,900
National Direct Student Loans:	3,500
College Work-Study:	3,350

*It is necessary to provide estimates because the current system of record-keeping is incapable of generating up-to-date lists of certified institutions by program. These estimates are taken from the 1981 OSFA Factbook.

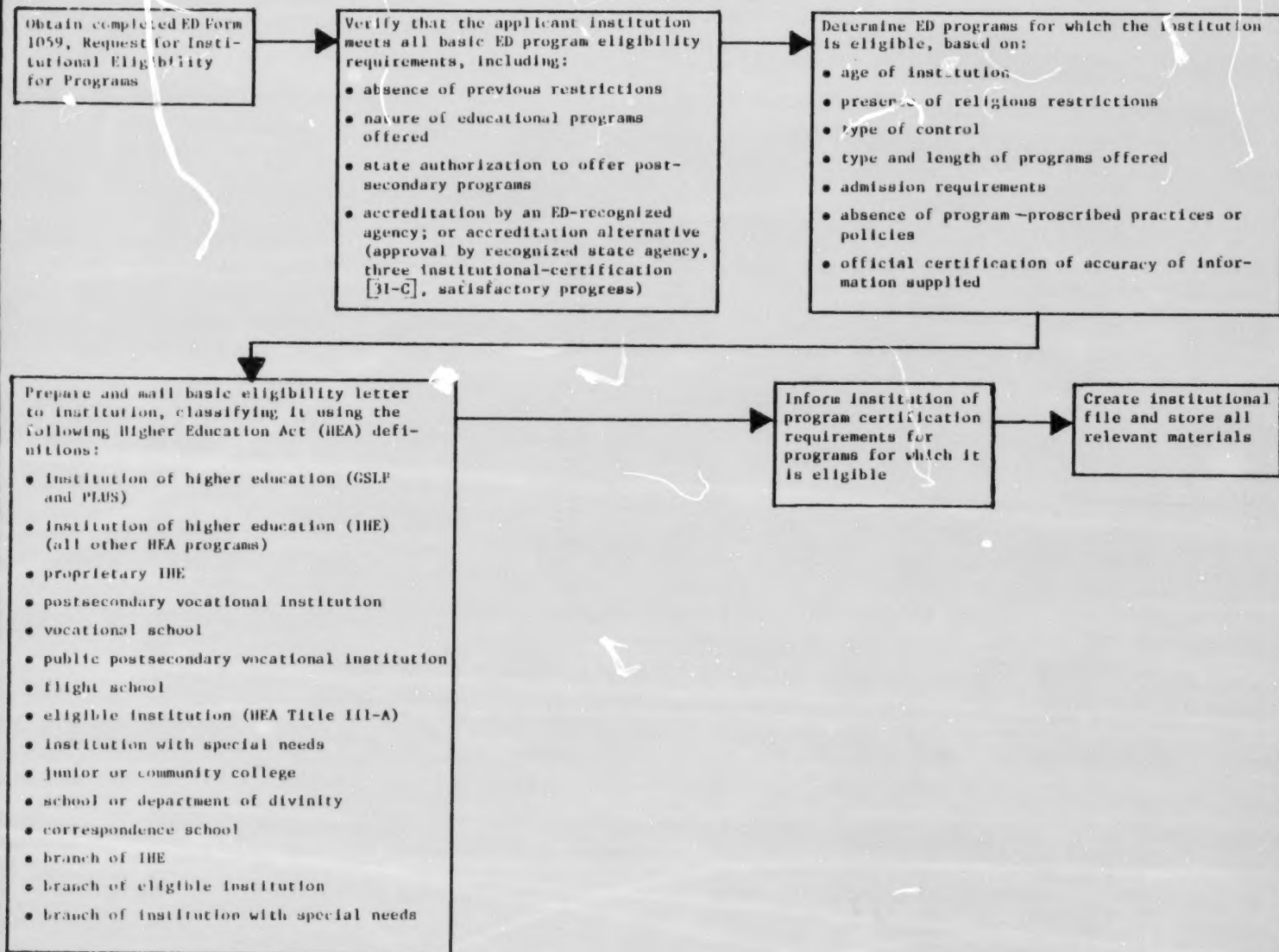


Figure 2. Simplified Function Model of Initial Eligibility Determination Process

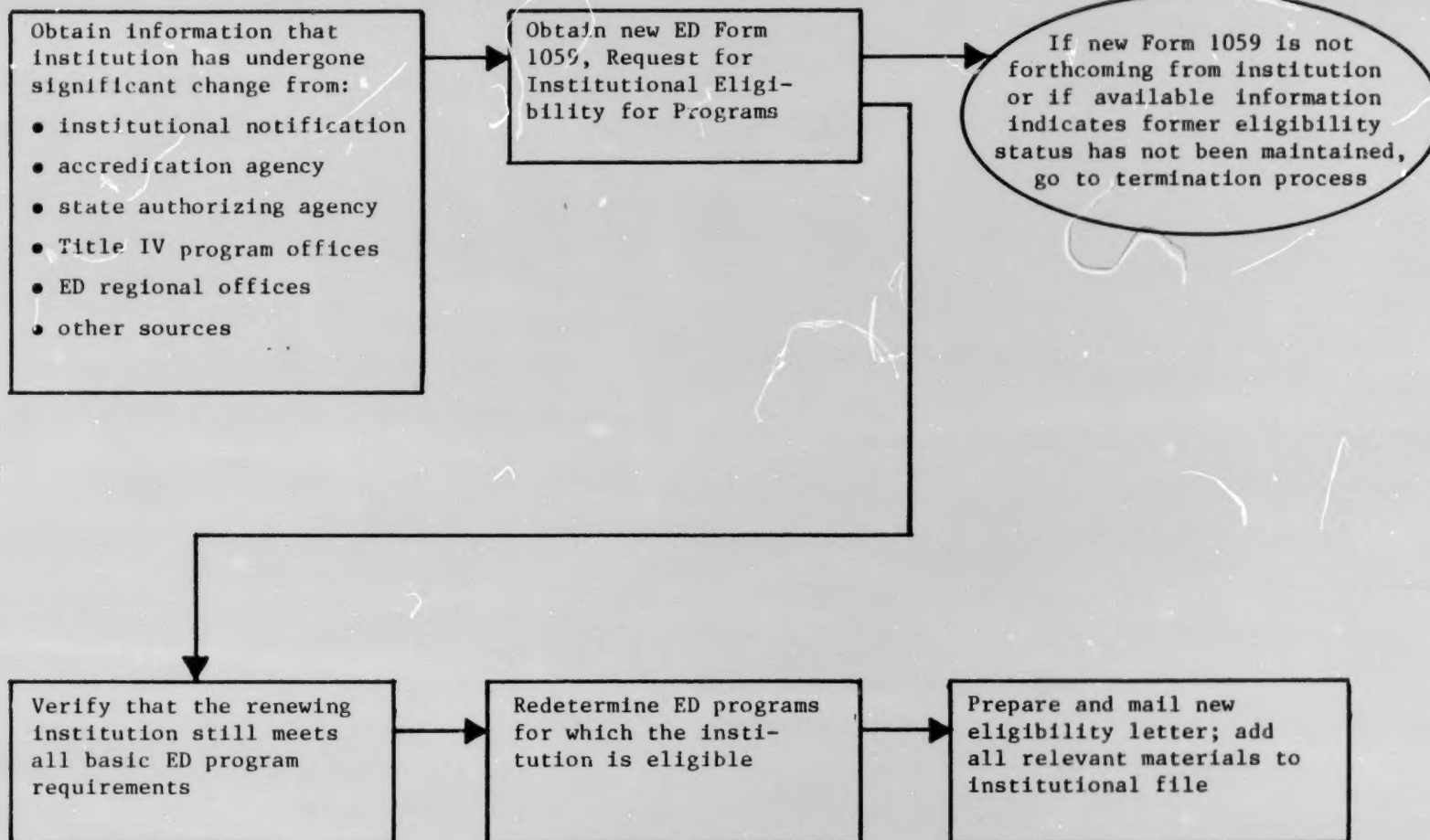


Figure 3. Simplified Function Model of Eligibility Renewal Process

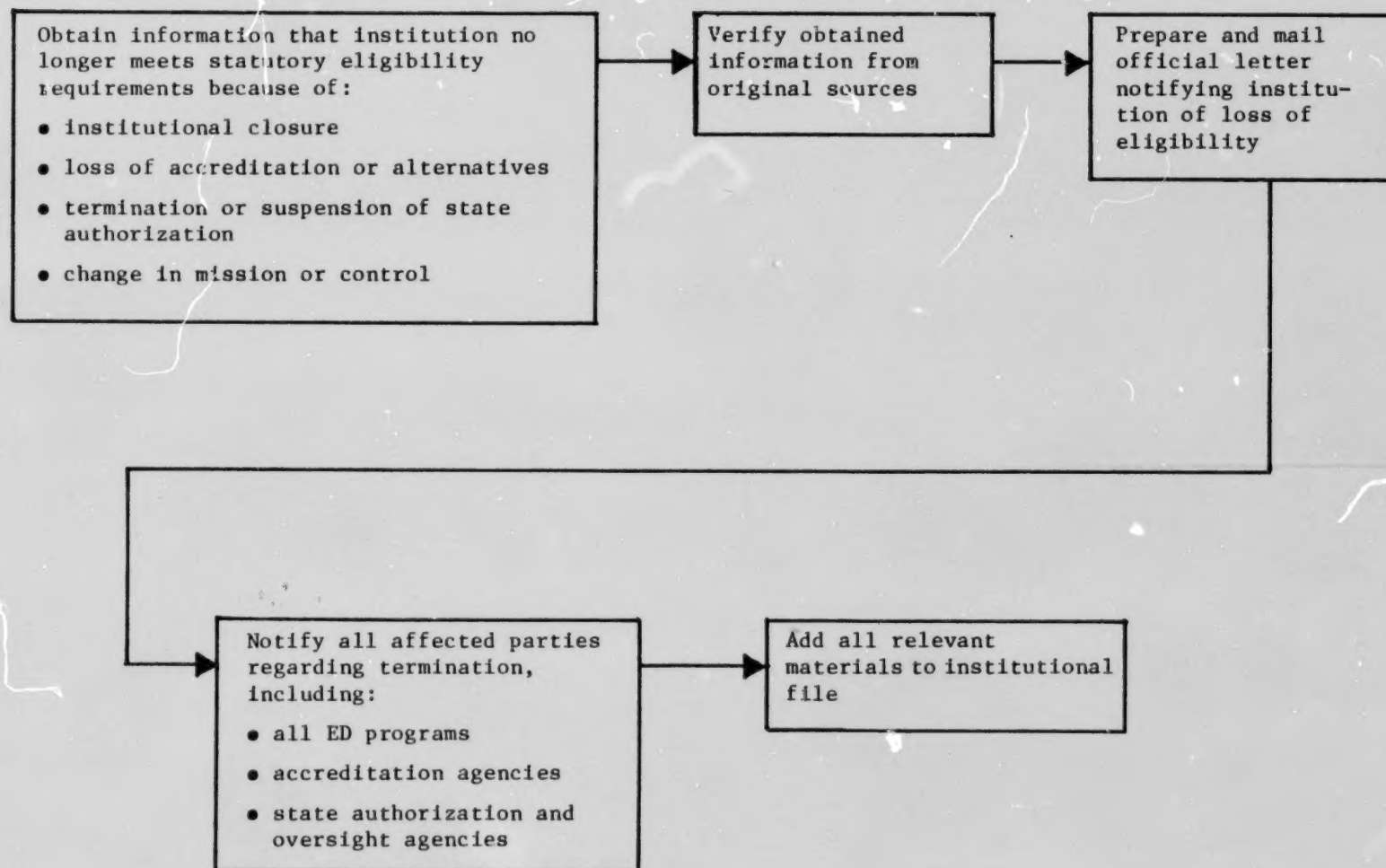


Figure 4. Simplified Function Model of Eligibility Termination Process

institutions have been certified for participation in the Guaranteed Student Loan Program alone, including over 1,000 located outside the boundaries of the United States. This population includes postsecondary institutions of every size and type, from comprehensive public universities with professional, graduate, and undergraduate enrollments in the tens of thousands to specialized private occupational schools with enrollments that can be counted on one hand.

Yet every participating institution must go through basically the same process:

- Obtaining certification for each program in which it desires to participate, which includes the execution of a formal Program Participation Agreement.
- Demonstrating ongoing compliance with all Title IV program regulations, through the submission of reports and biennial certified financial audits, and cooperation with periodic on-site reviews by ED program monitoring staff.
- Renewal of program certification after any significant institutional change, or routinely on a triennial basis.

Goals

The basic goals of the program certification and compliance monitoring system are to ensure that all institutions participating in the Title IV student assistance programs are administratively capable and financially responsible and are observing all regulatory provisions prohibiting misrepresentation and requiring full disclosure to students. By so doing, it is hoped that students who are receiving federal assistance will be able to benefit from their education to the full extent of their own capabilities.

These goals are an integral part of the overall ED Office of Student Financial Assistance (OSFA) program, which attempts to:

- inform participating institutions fully regarding their responsibilities in applying for, distributing, and accounting for federal funds;

- distribute funds on a timely basis via a well-controlled system that provides both equity and documentation suitable for ensuring accountability;
- require adherence to program regulations by educational institutions, lenders, and the students and their families who are direct beneficiaries; and
- review system performance to identify possible weaknesses and make corrections aimed at providing maximum benefits for each federal dollar invested.

Readers of this report should keep in mind the fact that the OSFA program certification and compliance monitoring system is embedded in this larger system. Linkages are pervasive, and the potential success of stewardship activities is influenced by the prior and subsequent success of other OSFA divisions in informing participants, distributing funds, facilitating lender and student compliance, and reviewing and improving overall system performance.

Division of Certification and Program Review Organizational Structure

The Division of Certification and Program Review (DCPR) is divided into five branches, of which four are directly concerned with institutional certification and compliance and one is concerned with student validation. The Institutional and Lender Certification Branch (ILCB) takes responsibility for certifying new Title IV program applicants and recertifying participating institutions; ILCB can also fail to renew the certification of institutions that experience financial difficulty or prove administratively incapable of safeguarding federal funds. The Program Review Branch (PRB), through an extensive Regional Office (RO) staff and a smaller central staff, conducts on-site investigations of (1) new applicants for the Campus-Based Programs (certification reviews) and (2) participating institutions that have experienced problems or have been selected at random for on-site monitoring (program reviews). The Participation Control Branch (PCB) is responsible for limiting, suspending, and/or terminating the participation of institutions and/or assessing civil fines based upon findings that they have violated program regulations. PCB's responsibility includes the

observation of reasonable notice and due process provisions. Finally, the Audit Review Branch (ARB) obtains and reviews required biennial certified fiscal audits of Title IV program accounts. ARB notifies the above three branches in the event audit reports are not submitted as required or if the reports disclose grounds for further investigation of or action against an institution.

The Division structure is portrayed graphically in Figure 5, which also indicates current branch staffing levels.

DCPR Functions in Program Certification and Compliance Monitoring

As indicated in the preceding paragraphs, each of the DCPR branches carries out a different set of specialized functions. These functions normally occur in the following sequence:

Using documentary information supplied by the institution and EAES, ILCB normally awards initial program certification, usually for the Pell Grant and Guaranteed Student Loan Programs. Occasionally, fiscal weaknesses, Regional Office reports, or reports from other external sources may prompt ILCB to withhold certification or, more commonly, grant certification only upon receipt of assurance of fiscal responsibility (e.g., a performance bond or irrevocable letter of credit). There are generally no problems, and many institutions that are certified for the Pell Grant and Guaranteed Student Loan Programs subsequently apply for certification to participate in the Campus-Based Programs. In this case, ILCB requests PRB to conduct a routine certification review. (A non-routine certification review can also be initiated by ILCB if biennial ILCB fiscal stability checks divulge incipient weaknesses.) The results of PRB's routine certification review for the Campus-Based Programs (which may also include a routine program review for the Pell and GSL programs) go to ILCB, which then

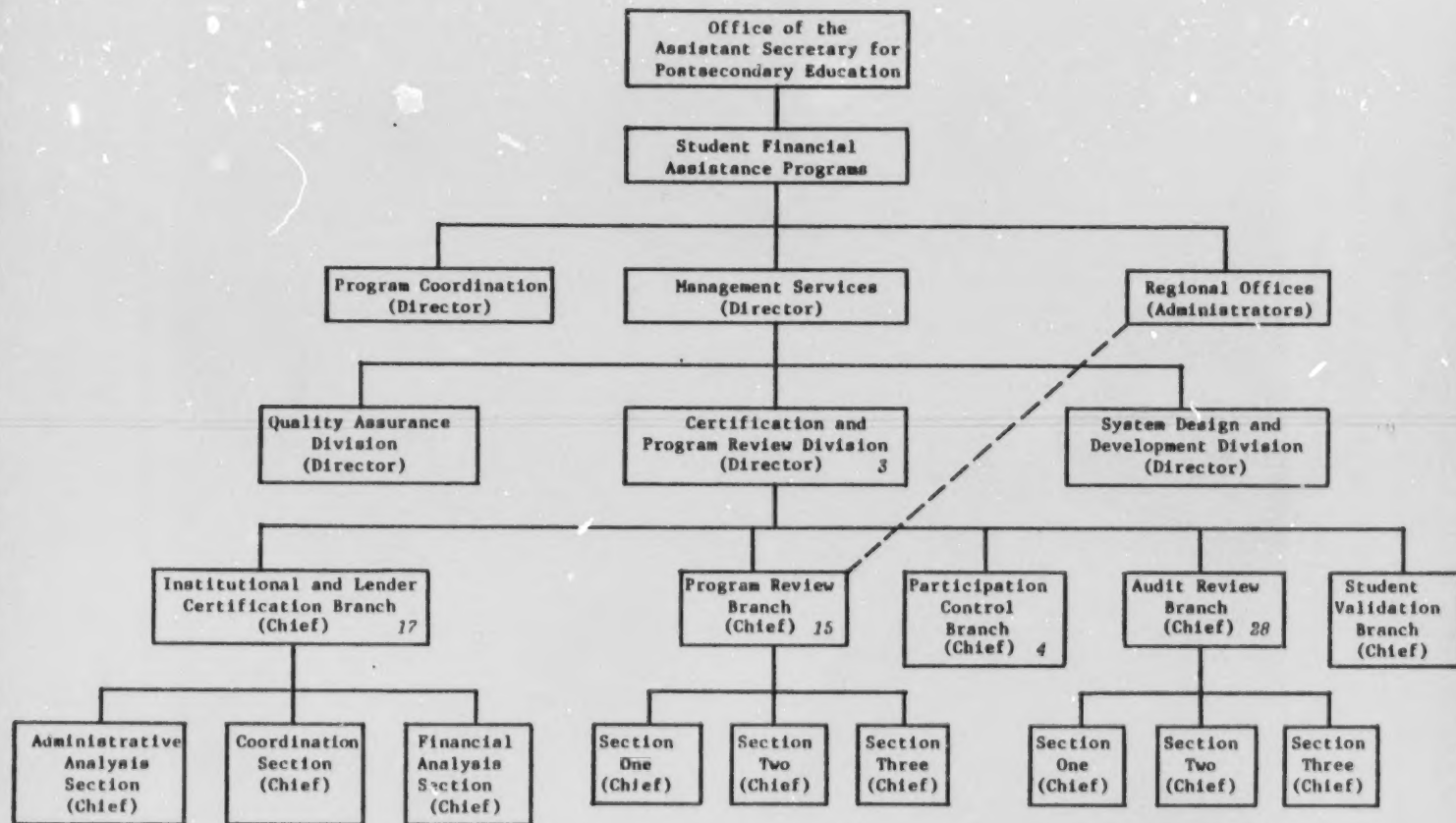


Figure 5. Organization of the Certification and Program Review Division
(current staffing in *italics*)

normally awards certification for the Campus-Based Programs. If problems are identified, this certification may be withheld and the information is given to PCB, which can ask a PRB to conduct a non-routine program review and then initiate and prosecute L, S, & T procedures and levy civil fines, with the assistance of the ED General Counsel. If problems are severe (e.g., there is evidence of criminal intent), PCB and the DCPR Director may also call in representatives of the ED Inspector General's office to conduct a criminal investigation.

The functions of ILCB, PRB, and PCB are displayed graphically in Figures 6-9 on the following pages.

It is apparent that much information flows among the DCPR branches. Considerable staff effort is devoted simply to maintaining records that can document this information flow and locate institution files (which are constantly passing from hand to hand). Two past efforts have been made to computerize the entire process by creating a central institutional data file. Unfortunately, neither has succeeded. A third attempt is presently being planned.

Relationships Between the Eligibility and the Certification/Compliance Monitoring Systems

From the preceding descriptions, it may be seen that EAES eligibility determination is a necessary prerequisite to Title IV program certification. In this connection, EAES and ILCB staff communicate on virtually a daily basis regarding the eligibility status of institutions that are seeking program certification. This is necessary to ensure that ILCB does not certify an institution into a Title IV program for which it is not statutorily eligible.

Moreover, regular communications occur between EAES and DCPR staff regarding problem schools--those which one or the other have reason to

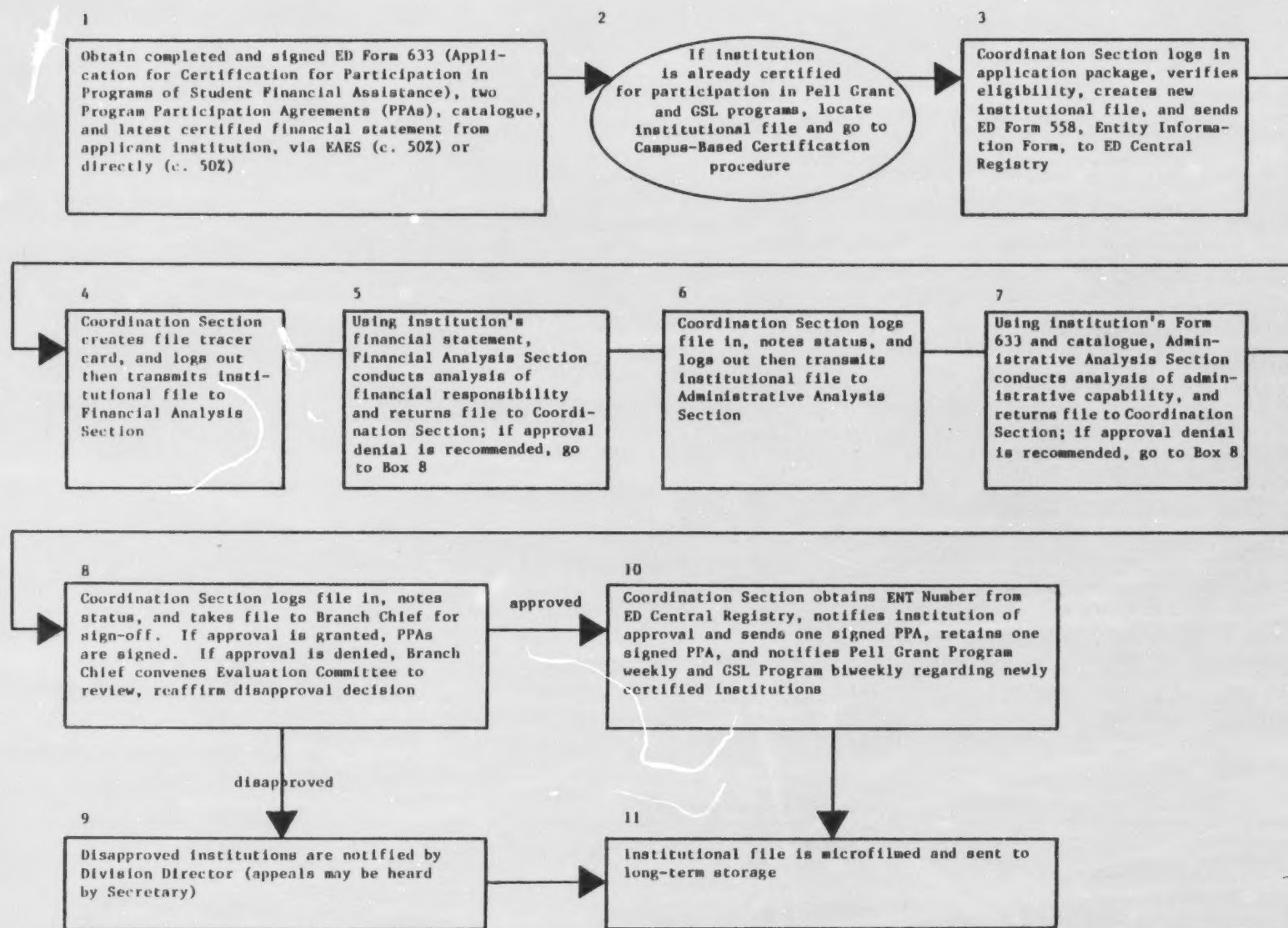


Figure 6. Simplified Function Model of Initial Institutional Certification Process (Pell Grant Program, Guaranteed Student Loan Program)

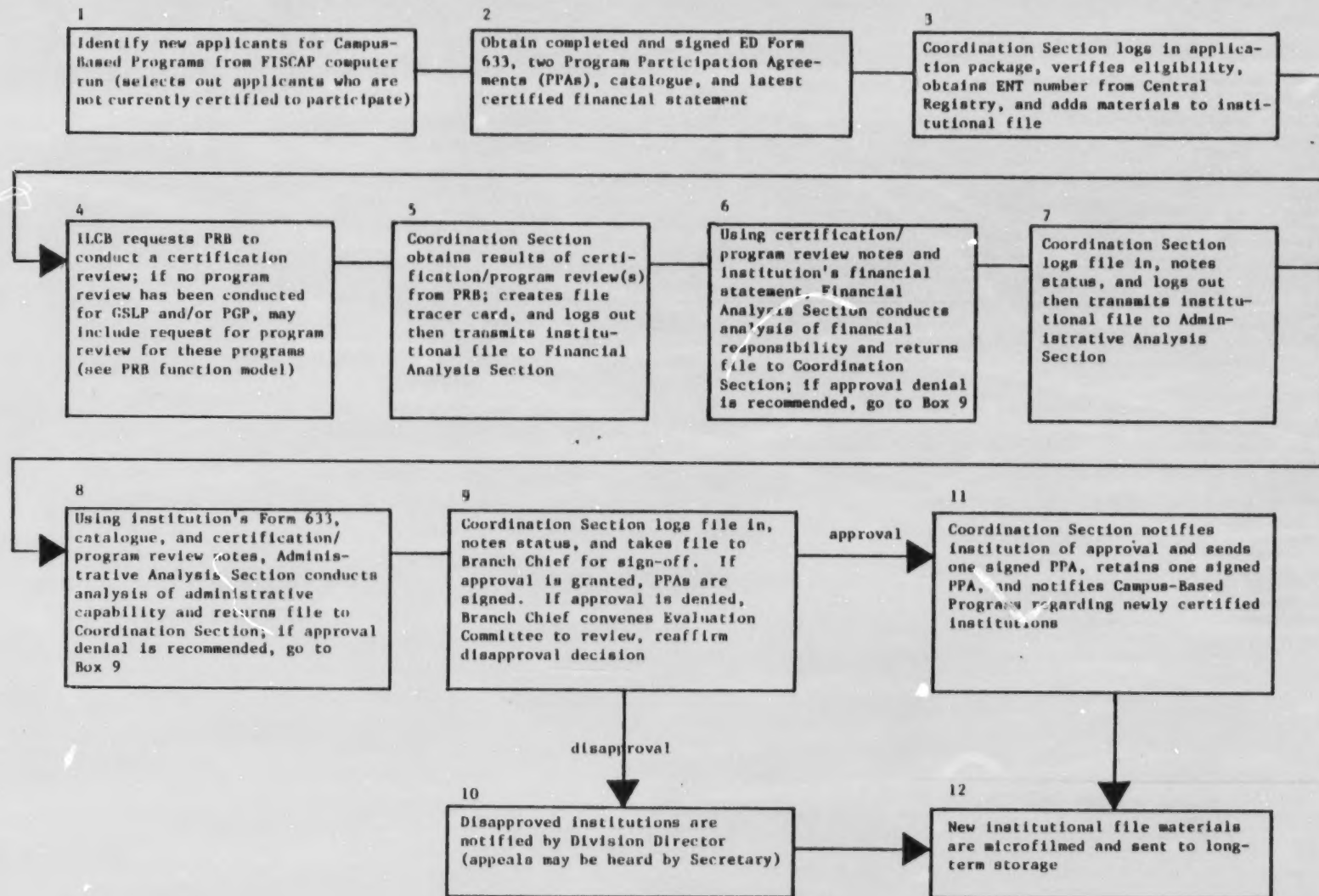


Figure 7. Simplified Function Model of Institutional Certification Process (Campus-Based Programs)

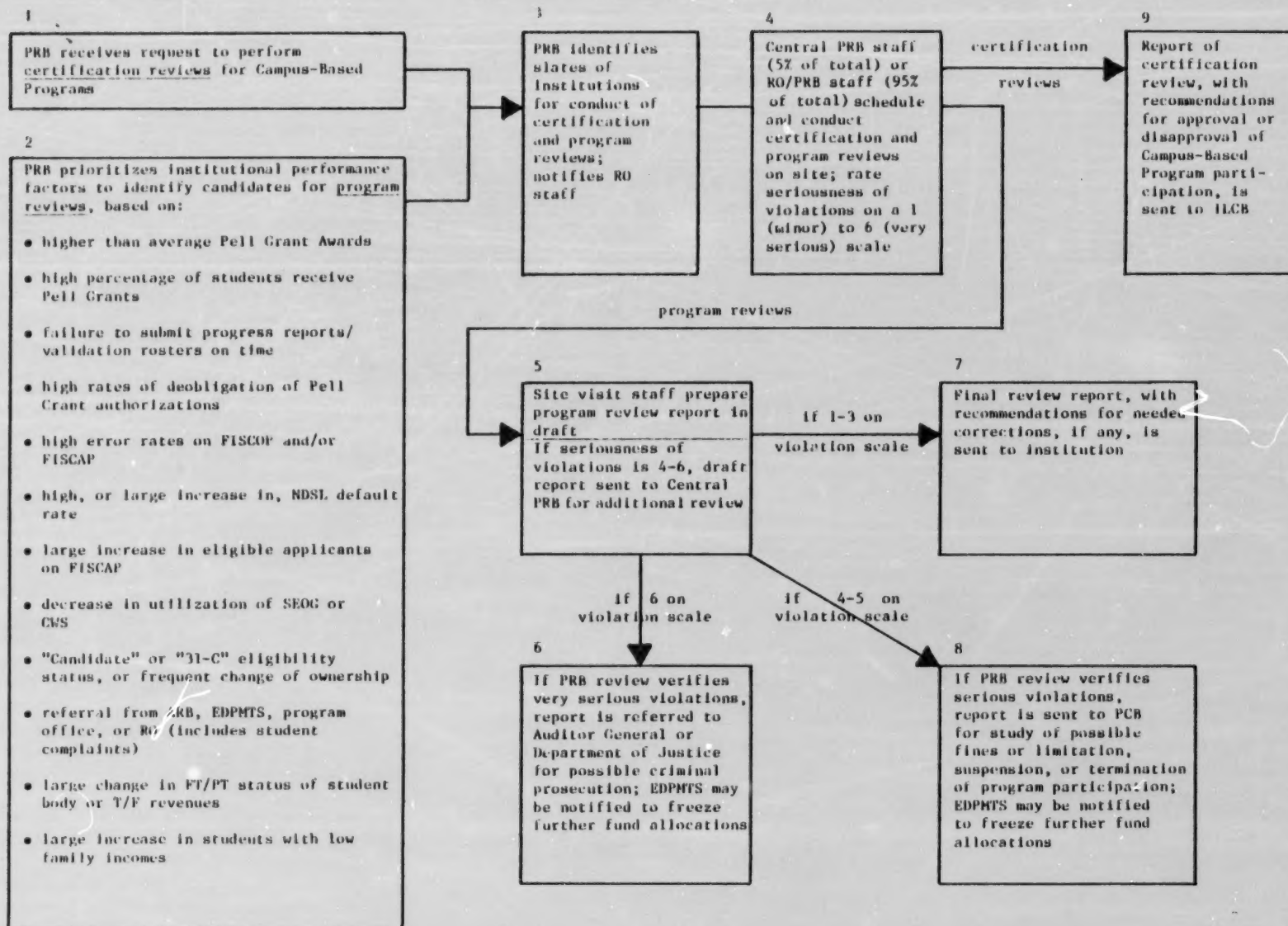


Figure 8. Simplified Logic Model of Certification and Program Review Processes

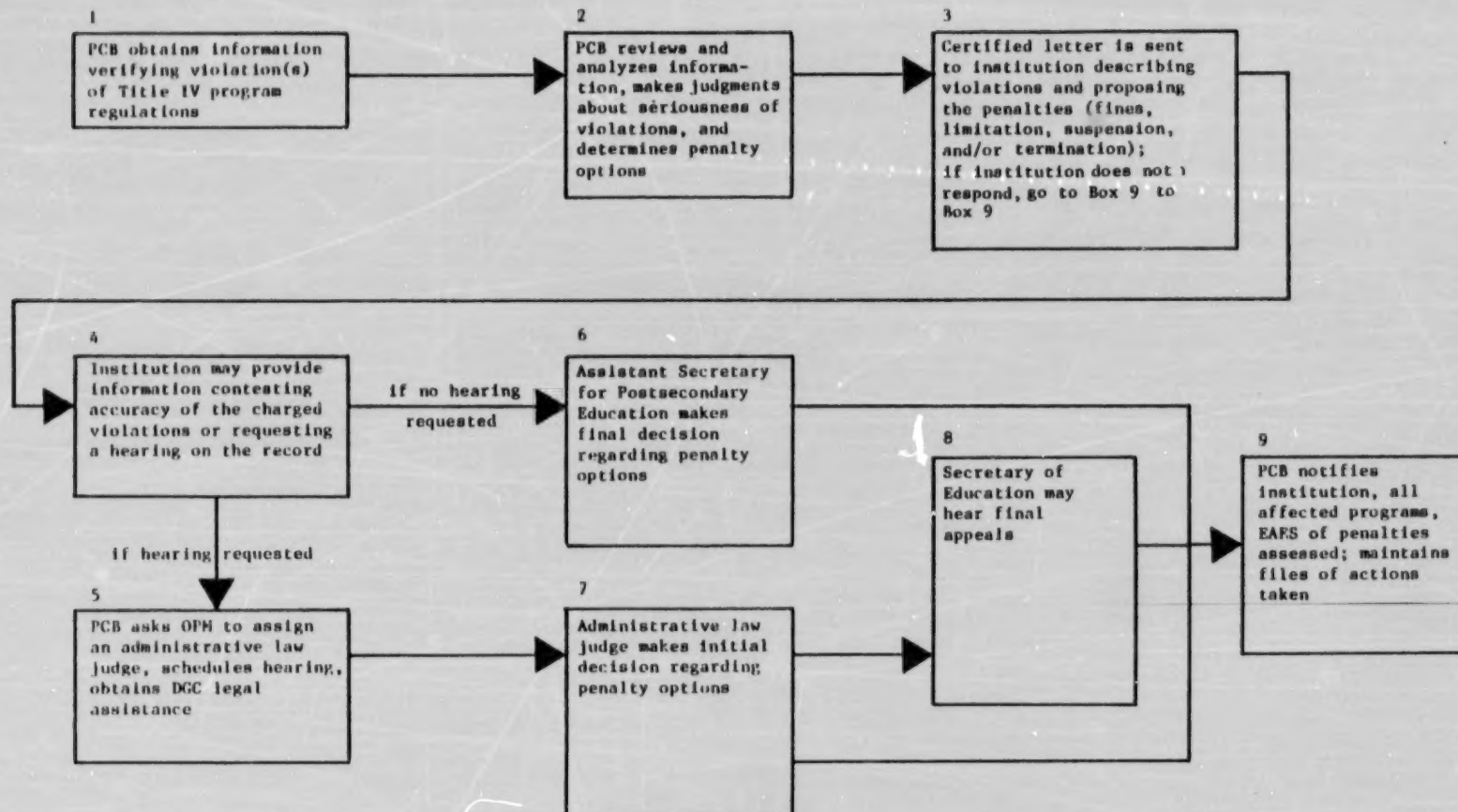


Figure 9. Simplified Function Model of Participation Control Process

believe may be experiencing difficulties of the sort likely to affect eligibility or certification status. This regular exchange of information can facilitate communications with a wide range of actors both within and outside ED. For example, if EAES staff learn from DCPR that an institution has been misusing its Title IV funds, they can use their established communication networks with other ED program staffs to recommend the exercise of special care in dealing with that institution. Similarly, EAES staff may notify the institution's accreditation agency and state licensing agency of the violations that have been uncovered, allowing agency staff to act within their own spheres of influence to investigate and perhaps prevent violations of their own standards. Communications also flow in the reverse direction, with DCPR staff receiving and acting on information that can stimulate a program review or other actions.

As with communications within the two systems, the lack of any mechanisms for electronically storing or transmitting information hinders relationships, slowing all but the most critical of joint actions. Nevertheless, the current relationships represent a noticeable improvement over the situation that existed five years ago, when, for example, the former compliance division staff labored mightily to suspend the participation of an abusive institution, only to discover that the school had lost its accreditation and been declared ineligible six months previously.

III. ESTIMATED INSTITUTIONAL REPORTING BURDEN CREATED BY THE ED ELIGIBILITY AND CERTIFICATION/COMPLIANCE MONITORING SYSTEMS

Introduction

This chapter examines the perceptions of institutional representatives in Washington, D.C., and institutional officials throughout the United States regarding the reporting burden created by the ED eligibility and certification/compliance monitoring systems. It assumes the reader's familiarity with the organization of and terminology surrounding the institutional eligibility process conducted by the Eligibility and Agency Evaluation Staff (EAES) and the Title IV financial aid program certification and compliance monitoring process conducted by the Division of Certification and Program Review (DCPR), as discussed in the preceding chapter.

Method

In order to obtain an institutional perspective on whether or not the EAES eligibility and DCPR certification functions were perceived as burdensome, unstructured personal interviews were conducted with six institutional representatives in Washington and then with 12 institutional officials located around the country. Each institutional representative was chosen because of his direct involvement in some aspect of the institutional eligibility/certification process, e.g., accreditation or financial aid administration. During their interviews, these representatives were asked to nominate institutional officials who were likely to be personally familiar with the process; interviews were then conducted with a sample of their nominees selected to obtain representation from diverse geographic regions, types of schools, and sizes of schools. The author also visited several schools and accompanied an ED Region IX official on an on-site program certification review.

The responses of all interviewees were collated according to topic area and combined with the author's observations to produce the results and discussion that follow.

Eligibility System

Reported Perceptions of Burden

The eligibility determination system as administered by EAES is rarely perceived as burdensome. Of six institutional representatives interviewed, all but one had recent experiences in working with the EAES staff and all (100%) reported those experiences to be positive. Of the 12 institutional officials interviewed, 11 had recent experiences with the eligibility system, and of these, 10 (91%) reported the system was not a burden to them. Comments indicated that EAES staff generally performed their functions in a swift, efficient, and courteous manner. Eligibility letters for new institutions were generally reported to have been sent out within a week after receipt of a school's Form 1059 and accompanying materials. Change of ownership documents were reported to have been sent on to DCPR sometimes within the day they were received, in response to a personal request by a school representative. The Director of the Occupational School Eligibility Unit in particular was singled out for kudos by several interviewees who had worked with her.

At the same time, several respondents noted that the EAES eligibility determination function was not a highly complex undertaking, involving a fairly straightforward checking and verification process.

Reported Problems

Consistent with the general perceptions of effectiveness, few problems were reported regarding the eligibility process. One individual who had been asked to submit a revised Form 1059 to initiate a replacement for his institution's 1975 eligibility letter could not understand why the information was needed, inasmuch as the school had "successfully administered several million dollars worth of federal funds" over the

eight-year period. Another noted that the (statutory) provision precluding (proprietary) institutions from eligibility until they had operated for at least two years has caused many new schools to be opened as "branches" of existing schools. This has influenced EAES to "tighten up" on its procedures for recognizing out-of-state branches of already eligible institutions (and try to tighten up on the branch campus policies of recognized accreditation agencies, whose judgments play a major role in establishing eligibility). These new stricter procedures are more complex than those they replaced and, reportedly, may cause delays for the eligibility processing of some branches.

Certification System

Reported Perceptions of Burden

The certification system, and particularly those functions carried out by the Institutional and Lender Certification Branch (ILCB), were viewed less positively by respondents. Of six institutional representatives interviewed, two (33%) believed the system to be unnecessarily burdensome, and a third later changed his initial "qualified positive" response to a "qualified negative" response. Of 12 institutional officials, eight (68%) felt the certification system to be a burden.

A fairly common thread ran throughout the institutional representative interviews: the proprietary sector bears the weight of the certification process because its members are most likely to be starting a new school or branch campus, changing ownership or control, applying for initial participation in the Campus-Based Programs, and, manifestly, experiencing financial instability. Public and independent colleges and universities, most having been participants in HEA Title IV programs since the programs' inception, rarely have cause to come into prolonged contact with certification. It should be noted that the two (and later three) institutional representatives who believed the certification process to be burdensome were all from the proprietary sector, as were all of the institutional officials who believed likewise.

All interviewees mentioned the lengthy nature of the initial certification process as conducted by ILCB: time figures cited ranged from one month to four months. Some respondents, usually citing figures at the lower end of the range, felt the interval appropriate for the complex process of judging financial stability and administrative capability. Others, usually citing figures at the upper end, were irate at what they perceived to be excessive delay. It is worth noting that institutional officials reporting the most delay tended to be those associated with smaller (and, no doubt, less wealthy) schools.

A common complaint registered by respondents concerned the attitude of ILCB staff. Actions and remarks were attributed to the branch chief and staff which, if accurately reported, would give even the most objective observer grounds to doubt their willingness to serve all types of eligible institutions equitably.

Reported Problems

In addition to the above generalized perceptions of burden, interviewees reported several specific issues that are worth mentioning. These will be discussed in the following paragraphs.

Unknown factors triggering certification reviews. None of the respondents understood what factors cause ILCB to declare a "non-routine certification review," terminating the Program Participation Agreement on 30 June, prior to its normal expiration, and requiring submission of a new Form 633, catalogue, and certified financial statement. It appears that they do not understand ILCB's use of Dun and Bradstreet reports, drawn on an entire population of participating institutions, as a screening device to identify schools that might be experiencing financial difficulty (e.g., in 1982, about 4,500 Dun and Bradstreet reports were screened, yielding 232 schools for non-routine certification; in 1983, almost 1,600 schools have been screened, and about 575 are candidates for non-routine certification based on Dun and Bradstreet information). (It is worth

noting here that even officials within DCPR do not seem to understand the process by which ILCB triggers a non-routine certification review.)

Unknown factors justifying requirements for performance bonds.

Several interviewees had been required by ILCB to obtain surety or performance bonds for their schools as a prerequisite to initial program certification. They did not understand the statutory justification for this requirement, nor was a justification offered when they protested. (In fact, ILCB has required the issuance of over \$6 million in performance bonds to over 200 schools, using its discretionary authority to judge financial stability as part of the certification process; interestingly, not one bond has ever had to be cashed.)

Unwillingness to accept documentation in advance. One of the most common complaints reported by interviewees concerned the length of time required by ILCB to process the new certification of an institution following change of ownership or control. Respondents understood the reasons for investigating the financial stability and administrative capability of new ownership, but decried the unwillingness of ILCB staff to review the new ownership's credentials prior to the date of sale, thus lengthening the hiatus on financial aid program participation and, in the respondents' view, punishing needy students.

Administrative errors. Several interviewees commented on the fact that documents sent to ILCB have gotten lost, requiring time-consuming resubmissions. One said he never sent anything by mail to ILCB any more, opting instead to hand carry it or send it by courier. Other interviewees mentioned apparent staff lapses that caused delays and sometimes grief. A school official reported he had been informed verbally that his school had received initial certification for the GSL and Pell Grant Programs, only to be verbally informed subsequently that his request for certification had, in fact, been denied.

Problems with Form 633. Two officials commented on the difficulty of complying with item 7c on Form 633, which inquires how much student aid was administered during the last fiscal year. They noted that they are

not required to know how much assistance their students receive from the Guaranteed Student Loan Program, and they found it burdensome to gather these data.

Overlap with accreditation agency procedures. Several interviewees believed that the financial stability and administrative capability of their schools had already been closely screened by their accreditation agency as a prerequisite to eligibility. They saw as unnecessary ILCB's review of these factors, and, based on their experiences, questioned the capabilities of ILCB Financial Analysis Section staff to understand the subtleties of a complex corporate financial statement, especially those related to deferred debt under an accrual-type accounting system.

Inefficient on-site review procedures. One official associated with several schools commented on the unnecessary length and triviality of on-site program and certification reviews conducted by some ED Regional Office (RO) personnel. When questioned, this official conceded that some experienced RO personnel made genuine contributions to improving the administration of the programs at visited institutions; however, he believed that such competent personnel were rare. [This respondent also mentioned that the bulk of RO reviews seemed to be conducted at the smaller (usually proprietary) schools; he suggested that this was probably the result of RO staff inability to understand the complex financial aid systems at large schools and ED policy of "not taking on the heavy-weights." In any case, he suggested that ED's "90/10" policy ("90% of staff effort spent on schools that distribute 10% of the Title IV funds") was probably not cost-effective in terms of preventing losses of federal funds.]

Unclear procedures for levying fines. Two respondents (one institutional representative and one official with ties to multiple schools) questioned DCPR's procedures for levying fines in cases where on-site program reviews (and sometimes subsequent audits) have demonstrated violations of ED financial aid program regulations. Both noted that the absence of any clearly stated policy for determining fines led to their reduction or rescission if a school owner appealed. The net

effect appeared to penalize smaller and less legally sophisticated schools while permitting larger and wealthier schools to escape punishment.

Summary Conclusions

In sum, the information presented in this chapter supports the following conclusions:

- The ED eligibility process is generally not perceived as a burden to those in the field who have occasion to encounter it. Indeed, its staff members are perceived as carrying out their (admittedly straightforward) functions expeditiously and courteously.
- The ED certification process is also generally not viewed as burdensome by the larger and more stable institutions making up the forefront of the educational "establishment." In some sectors, however, notably the universe of proprietary schools and especially the smaller and possibly less wealthy occupants thereof, the process is perceived as quite troublesome. Perceived problems include the use of unexplained and undocumented discretionary procedures, long delays in processing change of ownership certifications, requests for data not normally available, redundancies, and staff administrative lapses and discourtesy toward petitioners.

To the extent that these findings have validity, they may require modifications in DCPR procedures that could reduce the system's burden on institutions. However, such modifications must not compromise the basic goals of the institutional certification and compliance monitoring systems; they must be made within the overall context of federal policies aimed at enhancing access to and equity in postsecondary education while protecting federal funds from misuse.

The author's recommendations for feasible modifications are contained in the last chapter of this report.

IV. EFFECTIVENESS OF THE ED INSTITUTIONAL ELIGIBILITY AND CERTIFICATION/COMPLIANCE MONITORING SYSTEMS

Introduction

This chapter discusses the author's findings regarding the efficiency and effectiveness of (1) the institutional eligibility system administered by the Eligibility and Agency Evaluation Staff (EAES) and (2) the certification and compliance monitoring system administered by the Division of Certification and Program Review (DCPR). It is organized into three separate sections. The next section discusses the efficiency and effectiveness of the EAES-administered eligibility system, followed by a similar section on the DCPR-administered certification and compliance monitoring system. The last section focuses on the interrelationships (and lack thereof) between the EAES hard copy institutional eligibility files and the automated CASPER files maintained separately by OPE data processing staff.

Data for this chapter were collected through the author's observations and interviews with personnel of the subject offices over the course of this study. It is worth noting here that all staff contacted in both EAES and DCPR were highly cooperative and helpful, even to the extent of conducting extra computer runs and assigning staff to work overtime on the Memorial Day weekend when it became evident that more empirical data were required to assess the extent of congruence between EAES and CASPER institutional eligibility files.

The terms efficiency and effectiveness are used for convenience in the following pages. But the limited time and resources available to the author did not permit any well-controlled empirical studies of the type that are usually associated with these words. Rather, what follows represents a series of observations and judgments based on the author's experience with these systems over the past decade.

Efficiency and Effectiveness of the ED Eligibility System

As described in Chapter II, the major EAES functions in determining institutional eligibility to participate in ED programs include:

- Determining initial eligibility (for new or previously terminated institutions).
- Renewing eligibility for institutions that experience significant changes (e.g., in name, control, or number of affiliated campuses).
- Terminating eligibility for institutions that permanently close or otherwise lose their statutory prerequisites for eligibility (e.g., lose their accreditation or state authorization to operate).
- Maintaining files on and communicating with other ED and non-ED partners in the eligibility determination process regarding the current status of all eligible institutions.
- Every three years, or as time permits, reviewing and updating the eligibility status of eligible institutions.

The universe of institutions with which EAES deals in carrying out these functions is large and varied, currently including over 10,500 institutions--large and small, public and private, accredited and unaccredited, general purpose and specialized (from the extremes of dog grooming schools to colleges of podiatry). Of these 10,500 institutions, approximately 6,000 are occupational, falling within the purview of the Occupational School Eligibility Unit, and 4,500 are degree-granting institutions (of which about 1,200 are foreign schools whose students may obtain Guaranteed Student Loans) falling within the purview of the College Eligibility Unit.

To provide a perspective on the workload required to carry on the above-listed functions for this universe, EAES records disclosed over 2,000 separate transactions for the period July 1981 through July 1982. These transactions are illustrated for the occupational school population only in Table 4. The data in Table 4 include only final outcomes and do not reference the more numerous individual actions required to arrive at each outcome (i.e., initial and usually repeated correspondence with schools and accreditation agencies). The number of transactions is

growing every year. For the Occupational School Eligibility Unit, the 1,469 transactions last year may be compared with 1,209 the previous year and 803 for the first six months of this year. Yet the staff size of the Institutional Eligibility Section (which includes both the occupational and college units) is shrinking--from 13 persons last year to 11 at the time this study was begun to 10 now (not counting the Section Chief and his secretary). This means that, on the average, each member of the staff has to complete almost one transaction every working day (allowing for normal leave and illness). Given the degree of expressed satisfaction in the field regarding the responsiveness and courtesy of the EAES eligibility personnel (see Chapter III), and the fact that not a single part of their job is currently automated, this system appears relatively efficient and remarkably effective.

Table 4

Transactions Processed by the EAES Occupational School
Eligibility Unit, July 1981-July 1982

Initial Eligibility Determinations.....	215
Eligibility Updates.....	254
Changes of Ownership.....	132
Reinstatements of Eligibility.....	22
Mergers.....	6
Closures.....	99
Terminations.....	186
Name Changes.....	96
Name and Address Changes.....	18
Address Changes.....	97
Branch Campuses Established.....	133
Foreign Institutions.....	2
INS Petitions Reviewed.....	<u>209</u>
Total.....	1,469

But it can safely be predicted that any further staff reductions will cut into this effectiveness noticeably. EAES staff already note that their daily processing load and decreasing staff size are forcing them to eliminate more and more of their file maintenance and updating activity (see a later section of this chapter regarding the current condition of these files). File degradation, while not showing up immediately as a problem, can ultimately have very damaging effects, not only on staff

efficiency but also on the quality of EAES information supplied to other ED units. Under the present situation of increasing demand for services, this problem can only be addressed by a marked increase in staff efficiency--an increase that can only come about through well-conceived automation.

It is worth noting here that several past attempts have been made to automate the EAES eligibility system. In fact, an automated version of the ED institutional eligibility files currently exists as part of the Consolidated Assistant Secretary for Postsecondary Education Retrieval (CASPER) system. However, because the EAES staff were never satisfied that these automated files were entirely accurate, and because the only EAES staff member who had been trained to enter data into and correct the files departed almost a year ago and has not been replaced, the CASPER eligibility files are not currently used by Institutional Eligibility Section staff. Moreover, the members of the staff who have experienced multiple failures to automate their files are justifiably skeptical about future efforts. Their skepticism constitutes a real barrier to any attempts at improving staff efficiency through automation.

Efficiency and Effectiveness of the Title IV Program Certification and Compliance Monitoring System

This section of the chapter is divided into three parts, with each part focusing on one of the three branches in the Division of Certification and Program Review (DCPR) that are directly involved with institutional participation in Higher Education Act Title IV programs.

Institutional and Lender Certification Branch (ILCB)

As described in Chapter II, the major function of ILCB is to certify institutions that are new Title IV program applicants and recertify participating institutions undergoing substantial changes. The major purpose of the certification process is to ensure that institutions participating in any Title IV program meet acceptable standards of financial responsibility and administrative capability as required by the

Higher Education Act (20 USC 1094; 34 CFR 688.15, 688.16). The mechanism by which this judgment is rendered and communicated is through the awarding or withholding of a Program Participation Agreement (PPA), without which no institution can participate in a Title IV program (even though it may be otherwise "eligible" to participate via EAES).

Table 5 provides a perspective on the ILCB workload, citing statistics provided by the branch chief for FY1982.

Table 5

Transactions Processed by the Institutional and Lender
Certification Branch, FY1982 (Approximate Numbers)

Initial Participation Determinations.....	600
Pell Grants, GSLP..... (400)	
Campus-Based (SEOG, NDSL, CWS)..... (200)	
Changes of Ownership.....	200
Other Substantial Changes.....	200
Verifying Required Institutional Performance/Surety Bonds or Irrevocable Letters of Credit (currently in force).....	200
Verifying Required Financial Statements (annually).....	150
Performing Routine Financial Stability Checks (via Dun and Bradstreet reports).....	4,500
Non-routine Certification Reviews.....	230
Refusals of Initial Certification.....	40
Refusals to Recertify.....	10

For this year, the branch chief anticipates that about 1,600 schools will get routine financial stability checks via Dun and Bradstreet reports. However, since these will be for schools not participating in the Campus-Based Programs (the 4,500 checked in FY82 constituted this population), he anticipates that as many as 600 will receive non-routine certification reviews, and, of these, as many as 125 may not be recertified.

The data in Table 5 again include only final outcomes and do not reference the interim actions (e.g., correspondence, EAES eligibility record checks, audit checks, appeals processes) required to achieve these outcomes. And, as noted in Chapter II, the certification process is a multistage one, with separate judgments made for financial stability and

administrative capability and with an internal review of all negative decisions.

These outcomes were accomplished by a staff of 15 (not counting the branch chief and his secretary). ED Regional Office staff closely associated with the certification process estimate that it currently requires this staff about six to eight weeks to process a routine request for initial certification for the Pell and GSL programs (which do not require on-site visits). Findings cited in Chapter III indicate that this estimate is about right, although it can take longer if complications occur.

Recipients of ILCB services seem divided in their opinions regarding the staff's effectiveness, with some judging the current certification delay as acceptable, given the complexity of the process, and others judging it as outrageously unacceptable (again depending largely on whether or not they themselves have encountered complications).

Given that the entire certification process is accomplished without automation, that the branch has been given enormous discretionary authority to make judgments in areas where objective standards are quite hard to define, and that personnel losses have decimated the staff over the past year, this part of the certification system seems reasonably efficient and effective.

Because of several past failures to successfully automate the ILCB records, forthcoming efforts to do so must be anticipated cautiously. Unquestionably, such a system is feasible, and, if undertaken properly, it should increase ILCB efficiency considerably, thereby reducing some of the current long delays in routine certification processing.*

*Note that since the ILCB file automation is currently already in process, it was not the subject of recommendations later in this report.

Program Review Branch (PRB)

As described in Chapter II, the major functions of the PRB are to conduct onsite reviews of (1) financial aid program administration by institutions participating in Title IV programs or (2) capability to administer these programs of institutions applying to participate for the first time. Routine certification reviews are conducted prior to ILCB's granting of certification for institutions applying to participate for the first time in the Campus-Based Programs; routine program reviews are normally conducted at the same time, focusing on the applicant institution's ongoing administration of the Pell Grant and/or Guaranteed Student Loan Programs. If problems are identified by PRB's review of factors indicative of misreporting or maladministration (see Table 6 for a listing of these 20 factors), a nonroutine program review may be conducted. In all cases, the outcome is a report documenting any violations or potential violations of program regulations and also recommending changes in institutional policies, practices, or conditions to rectify these problems. While the latter "technical assistance" function was once the major focus of on-site review visits, recent staff shortages and policy decisions have caused the focus to shift more to the discovery of and prosecution for violations. Violations of a serious criminal nature are reported to the ED Inspector General's office; less serious ones are reported to the Participation Control Branch and may lead to fines or to limitation, suspension, or termination of program participation.

Most program and certification reviews are done by staff in the ED Regional Offices. Of approximately 1,000 reviews conducted last year, only about 50 were done by PRB staff in Washington. Initial program certification reviews get staff priority, because they must be completed before Campus-Based Program participation can begin. Last year, about 200 of these visits were conducted, each one requiring one to two person-days. Nonroutine program reviews require a longer time to complete--averaging three to five person-days per institution. Table 7 lists the areas normally covered by the program review.

Table 6

Factors for 1982 Program Review Priority Determination*

<u>Factor No.</u>	<u>Description</u>
1	A. The average Pell scheduled award for AY 81-82 is 15% or more higher than the average award for institutions of the same type and control or B. average award is within \$100 of maximum allowed.
2	The number of 81-82 Pell recipients is greater than 80% of enrollment.
4	Non-response on Progress Report: A. June 1982 report B. Both February and June 1982 reports
4	Non-response on Validation Roster: A. For one year B. For two years C. 3 or more years
5	Deobligated \$100,000 or more of latest adjusted Pell authorization: A. For 81-82 B. For 80-81 and 81-82
6	Deobligated more than 10% of latest adjusted Pell authorization on Ad Hoc or regular Progress Report after February: A. For 81-82 B. For 80-81 and 81-82
7	High rate of errors and unacceptable data on the 1980-81 FISCOP FISAP as determined by edit checks
8	10% or more increase in the adjusted NDSL default rate between 79-80 and 80-81
9	Number of eligible applicants reported on FISAP increased by 25% or more in 80-81
10	Utilization of SEOG or CWS was less than 80% of allocation for 80-81

*While 80% of institutions are selected based on these factors, the remaining 20% are selected at the discretion of the Regional Office.

Table 6
(continued)

<u>Factor No.</u>	<u>Description</u>
11	Candidate or 3-letter eligibility status, or has had more than one change of ownership in one year
12	Referral from Audit Review Branch
13	Referral from EDPMTS for non-response on expenditure reports or demands for cash
14	Referral from Pell branch of DPO as having program and disbursement difficulties
15	Regional assessment of the need for a review
16	20% or more increase or decrease in the number of full-time and part-time students in 80-81
17	20% or more increase or decrease in total T & F revenue between 1979-80 and 1980-81
18	A. 10% or more decrease in Pell awards when the number of eligible undergraduate dependent and independent applicants increase in 1980-81 B. 10% or more decrease in number of eligible undergraduate dependent and independent applicants when total Pell awards decrease 20% or more in 1980-81
19	20% or more increase in the percentage of eligible students of the total students attending; between 1979-80 and 1980-81
20	10% or more increase between: A. percentage of eligible applicants in line 11-13 of total eligible applicants in 1979-80 B. percentage of eligible applicants in line 11-13 of total eligible applicants in 1980-81

Table 7

Areas Normally Covered by Program Review

1. File Review (All Programs)
 - Aid application
 - Student eligibility
 - Financial need
 - Award offer and acceptance
 - Award calculation
 - Award disbursement
 - Statement of Educational Purpose
 - Refund calculations
2. College Work-Study (CWS Only)
 - Eligible off-campus employment
 - Pay rates
 - Time records
 - Overawards
3. Fiscal Records (All Programs)
 - Division of authority
 - Bank accounts
 - Recordkeeping
 - Fund requests
 - Audit trail
 - Institutional matching funds
 - Fund transfers
 - Reports and reconciliation
4. NDSL Collection--Due Diligence (NDSL Only)
 - Promissory note
 - Disclosure statement
 - Exit interview
 - Grace period
 - Prepayment contacts
 - Billing
 - Past due notices
 - Skiptracing
 - Collection
5. Institutional Policy and Procedures Manual (All Programs)
 - Satisfactory progress
 - Packaging criteria
 - Financial aid appeals process
 - Institutional refund policy
 - Determining cost of attendance

Table 7

(continued)

6. General Administrative Capability (All Programs)
 - Staff development program
 - Adequate staffing
 - Financial aid committee
 - Adequate and secure facilities
 - Coordination of program awards
 - Reconciliation of financial aid and fiscal office records
7. Consumer Information (All Programs)

Although no data were obtained on the actual institutions receiving program reviews last year, perusal of Table 6 indicates that priority is probably given to smaller schools having (1) more volatile shifts in enrollments, student characteristics, and programs and (2) fewer administrative staff with less expertise in filing reports on a timely basis. Interviews of Regional Office staff and school representatives (described in Chapter III) confirm the perception that PRB staff in the Regional Offices spend a disproportionately high portion of their time investigating small proprietary schools. While this may well be where the bulk of the reported problems occur, it is also true that such schools account for only a small proportion of Title IV program disbursements. (As noted, one observer suggested that the PRB/RO personnel spend 90% of their time in schools that disburse 10% of Title IV funds.)

Given that the protection of federal funds is PRB's major goal, and to the extent that such a policy of personnel allocation is followed, one can question PRB's efficiency and effectiveness. A more efficient and effective strategy would be to target personnel resources on institutions where the bulk of Title IV funds are spent. (Recent cases where two large public universities in the western United States were found to have disbursed several million dollars of Title IV student aid funds in violation of program regulations reinforce this observation.)

Participation Control Branch (PCB)

As described in Chapter II, PCB's major function is to administer the process of levying fines and limiting, suspending, or terminating the participation of institutions found to be guilty of violating program regulations.

Table 8 contains a summary of the fine, limitation, suspension, and termination actions undertaken and completed by PCB in FY1982.

Table 8 shows a total of 75 separate actions were initiated and 71 were completed by the PCB staff, which currently numbers three individuals

Table 8

Summary of FY1982 Actions Undertaken and
Completed by Participation Control Branch

Fines

16 schools were assessed fines of \$139,816.

10 schools paid fines of \$82,689.

3 schools have yet to pay deferred fines of \$29,351.

3 schools have yet to pay overdue fines of \$7,163.

\$20,614 in fines were dropped.

Limitations

15 limitation agreements were negotiated and signed (10 with proprietary schools, 4 with public institutions, 1 with a private nonprofit institution).

Suspensions

0 suspensions were undertaken.

Terminations

44 termination actions were initiated, including 5 continued from FY81 (25 with proprietary schools, 16 with private nonprofit institutions, and 3 with public institutions).

11 institutions' participation was terminated.

3 termination actions were settled as limitations.

4 termination actions became moot when schools closed.

20 termination actions were satisfactorily resolved by compliance.

1 termination action was decided against ED.

5 terminations were unresolved at year's end.

(down one from the date this study began). Given the fact that each action requires a considerable amount of correspondence, liaison with the ED general counsel's office and with PRB, and interaction with Administrative Law Judges and the Offices of the OPE Assistant Secretary and ED Secretary, this part of the compliance monitoring system seems reasonably efficient and effective.

However, findings contained in Chapter III indicated that many people in the field do not understand the rationale for PCB's policies regarding the levying of fines. Furthermore, several individuals noted that in some instances, appealed fines were rescinded--leaving doubts about the adequacy of the rationales for the initial levy judgments. It seems evident that improvements in these policies could materially enhance the effectiveness of PCB.

Accuracy of the EAES and CASPER Eligibility Data Files

Need for an Empirical Study

One factor impinging negatively on the efficiency of all elements of the eligibility and certification systems is the lack of immediate ED staff access to accurate data regarding the current eligibility status of institutions seeking to participate or already participating in ED programs, especially the major Title IV programs that disburse billions of dollars annually. As noted earlier, this determination currently must be done manually by EAES staff, although an automated version of the files exists as part of the OPE CASPER data base.

The CASPER data base has not been formally updated by EAES staff in over a year, and its accuracy even before that time was continually questioned. Nevertheless, the OPE staff member in charge of developing CASPER contended that his automated data base was probably at least 95% accurate--certainly accurate enough for most applications to which the eligibility data were put. If this contention were true, EAES staff complaints notwithstanding, OPE policymakers would surely be justified in moving to update CASPER and using it in preference to the bulky EAES hard

copy files. On the other hand, if the EAES staff contentions were true, moving to use CASPER rather than the hard copy files could prove very damaging, because of the penalties for institutions and students associated with the distribution of erroneous eligibility information.

Method

To provide an empirical basis for resolving this issue, the author requested that OPE staff provide a computer run listing all 10,500 eligible institutions in the EAES universe, which they did. When perused, this listing was found to contain over 12,500 institutional names and addresses, and over 14,000 records in all. The c. 1,500 noninstitutional records were found to be individual ED grant-in-aid recipients. The c. 2,000-institution discrepancy between the EAES universe and the CASPER universe appears to be made up of two types of records: (1) listings of state postsecondary coordinating boards and other state-level agencies not carried as institutions on EAES records, and (2) duplicate listings, apparently carried because they have slightly different addresses or missing data in one record and are not caught in routine computer checks for duplication. Rejecting these duplicates whenever they were sampled, the author selected a 2% random sample of institutions, resulting in the identification of 257 institutions. These 257 were then listed and sent to EAES, where staff members pulled from their files the most recent eligibility certification letter for each institution whose folder could be located. These letters were then compared with the CASPER eligibility data, producing the following findings.

Results

To adequately understand the results of this empirical comparison, the reader should understand several points. First, the EAES eligibility files are by no means up to date. Eligibility certification letters for some institutions have not been updated since they were first issued following passage of the Higher Education Act of 1965. In fact, a few institutions which were "grandfathered" into the GSLP because their state

authorization was deemed a temporary substitute for accreditation in the late '60s have never even obtained formal eligibility letters. Letters issued prior to the most recent amendments to the Higher Education Act in 1980 may mention programs that no longer exist or omit reference to new programs for which the institution is now likely to be eligible. Therefore, the letters cannot serve as a standard of accuracy. (And, as noted earlier, they become more and more out of date as staff shortages preclude the amount of file maintenance and updating that can be accomplished by EAES.) In effect, when the EAES staff is asked to determine for which programs a school is currently eligible, it takes the most recent existing letter and, considering the legislative changes that have occurred since it was issued, infers current program eligibility.

Next, one must understand that the CASPER eligibility files were originally created by teams of relatively untrained contract personnel who went through the EAES eligibility files and listed eligible programs from the most recent letter in the file. References to all obsolete programs were subsequently automatically updated, but simple coding errors were not detected unless they happened to come to the attention of EAES staff (who indicate that many of the errors they spotted and reported when they were attempting to use the CASPER listings went uncorrected).

Finally, the reader needs to know that changes in institutional status (e.g., name, address, new branches) processed by EAES since June of last year have not been systematically entered into CASPER, although some reportedly have been entered sporadically.

Table 9 contains the results of the comparison of EAES and CASPER files.

Table 9

Summary of Comparison Between EAES Eligibility Letters and CASPER Eligibility Listings for Two Percent Random Sample of Institutions (N=255)

	N	%
Records match perfectly ¹	118	46%
Institution listed on CASPER but no eligibility file ²	7	3%
Institution listed on CASPER but no eligibility letter in file	8	3%
Institution listed on CASPER with old name and address.....	15	6%
Institution listed on CASPER but has been terminated.....	6	2%
CASPER lacks reference to programs listed on eligibility letter ³	57	22%
Eligibility letter lacks reference to programs listed on CASPER ⁴	44	17%
	255	99% ⁵

¹Taking into account obvious transformations, e.g., eligibility letter references to Basic Educational Opportunity Grants were assumed to equal CASPER references to Pell Grants.

²These institutions were probably all closed.

³These cases were about evenly divided between those where CASPER appeared in error, i.e., it did not list programs for which the institution was (probably) eligible, and those where the eligibility letter appeared in error (i.e., it referred to programs that no longer existed or for which institutions of that type were no longer eligible because of statutory changes).

⁴These cases were also about evenly divided between those where the (out of date) eligibility letter did not reference newer programs that were (probably) correctly listed on CASPER and those where one or more programs on the CASPER listing appeared erroneous.

⁵Does not total to 100% because of rounding.

Conclusions

If the results in Table 9 can be extrapolated to the entire EAES universe, they indicate that one could have full confidence in the CASPER data about two-thirds of the time. On the other hand, they also indicate that one can have full confidence in the EAES eligibility letters only about 80% of the time (unless one is able to undertake the necessary historical analysis to correlate listed programs with those existing presently).

The bottom line conclusion of this test is that neither file is sufficiently accurate by itself to be used in making eligibility judgments about individual schools. The EAES files, when used in conjunction with the knowledge and experience of the EAES staff, are capable of providing those judgments with acceptable accuracy--but with a heavy penalty in lost efficiency.

Recommendations for dealing with this problem, and many of the others described in this chapter, are discussed in Chapter V.

V. SUMMARY OF FINDINGS AND RECOMMENDATIONS

This chapter is organized around a series of summary statements regarding findings that have already been discussed in the earlier chapters of this report. These statements simply recapitulate the finding in capsule form. Where appropriate, statements are followed by one or more recommendations for management actions that can address the finding in the future. No particular priorities should be inferred from the order in which the finding statements are arranged: the numbering is for ease of later reference only.

Recommendations are intended to be feasible and implementable in the short run. Therefore, no recommendations have been made that are likely to require the allocation of large new sums of money. The reality of ED's current fiscal status suggests that only changes which will improve efficiency or save money will be seriously considered. This reality has been taken into account.

Finding 1. The Systems Work

In the early and mid-70s, the ED financial aid programs were being abused by many institutions. The current configuration of separate but cooperating eligibility and certification/compliance monitoring systems evolved to combat those abuses. And even though aid program dollar volume has more than tripled since 1975, flagrant abuses are extremely rare. It must be concluded that the systems are having their intended effects; this basic conclusion should not be overlooked, even though room for improvement remains.

Finding 2. The Form 1059 Transmittal Letter Is Confusing

Although few people perceive the ED eligibility system to be burdensome, several institutional officials did not understand the necessity for submitting a new Form 1059 to update their schools' eligibility status. They incorrectly assumed that the request to complete a new Form 1059 constituted some indictment of their past administration of ED programs.

Recommendation 2. The EAES letter that transmits requests for institutions to complete new Forms 1059 should be rewritten to make explicit the following points:

- The request is in no way a reflection of problems with aid program administration.
- Since the institution's last eligibility letter was issued by EAES (or its predecessors, DEAE or AIES), many changes have occurred in the various federal programs; these changes may have produced changes in the institution's eligibility status that are not reflected in its existing letter.
- It is in the institution's best interest to have an up-to-date eligibility letter in its files in case a program auditor or reviewer should ask to see it.

Finding 3. Few People Understand ED's Policies for Levying Fines Under 34 CFR 688.80

There is no readily discernable policy behind ED's practices for levying fines against institutions that violate Title IV program regulations. Sometimes fines equal the amount of interest penalties due; sometimes they equal the amount of liabilities documented by an audit. On occasion, they are successfully contested by an institution willing and able to hire "a Washington lawyer." This gives the impression that the bulk of the actual penalties fall upon those institutions too small or unsophisticated to complain.

Recommendation 3a. Formal guidelines for the levying of fines under 34 CFR 688.80 should be issued. These guidelines should clarify the purposes of the fines: are they to punish wrongdoing, get institutional officials' attention, preclude the possibility of profiting from violations? They should then lay out the procedures ED will use to calculate a fine, indicating, where necessary, the parameters within which the fines might vary depending on severity of the violation and size of institution.

Recommendation 3b. Once a suitably equitable and fair basis has been created for levying fines, rescissions should only be made in extraordinary circumstances--as in cases where there were extenuating circumstances or errors in the allegations of violation. Large and small institutions should be treated alike.

Recommendation 3c. When collected, fines should accrue to the ED student aid programs rather than to the U.S. Treasury, as is now the case.

Finding 4. Too Many Small Institutions Enter the Title IV Programs Without Adequate Administrative Expertise

There is no requirement that an institution applying for eligibility to participate in the Title IV programs be expert in administering those programs. All that is required is the completion of the application documents for the Pell Grant and Guaranteed Student Loan Programs. Although most ED Regional Offices, the professional association of financial aid officers, and some specialized accrediting agencies all offer training sessions, participation in such training is not mandatory. Too often, smaller schools enter into the programs with nothing more substantial than the partially-read and poorly-understood OSFA handbook. It is not, therefore, surprising that program reviews in such institutions discover a high frequency of maladministration and that ED Regional Office staff need to spend a disproportionately large amount of their time with these smaller schools.

Recommendation 4a. OSFA should consider asking for legislation that would make prior attendance by institutional representatives at a training workshop on Title IV financial aid program administration a mandatory prerequisite for being certified to participate in any program.

Recommendation 4b. In the absence of such legislation, the director of DCPR should strongly urge all new applicants for certification to send a senior representative to one of the Regional Office workshops on proper program administration. This urging should take the form of a formal

written request listing the times and places of forthcoming workshops in the institution's region. Institutional officials should be counseled not to depend solely on a financial aid consultant to do the job—they should learn about proper procedures themselves!

Recommendation 4c. DCPR should ensure that each Regional Office annually offers several well-planned and conveniently scheduled training workshops on Title IV program administration. The workshop curriculum should stress common errors discovered during program reviews and how to avoid them.

Finding 5. ILCB Procedures Need Clarification

Chapter III identified several aspects of ILCB procedures that are not well understood by applicant institutions (nor, in some cases, by officials in ED who are closely associated with the certification process). Among these are the following:

- Few people understand that Dun and Bradstreet reviews of financial statements (or failure to provide a statement to Dun and Bradstreet) can trigger a nonroutine certification review.
- Few people understand the conditions under which ILCB normally requires a performance bond or irrevocable letter of credit from an applicant institution.
- Some people do not understand ILCB's procedures for calculating "current liabilities" for proprietary schools that have deferred debt under an accrual method of accounting. Some interviewees have claimed that the entire principle of deferred debts has been treated by ILCB as a current liability, rather than the amount payable for the current fiscal year.

Recommendation 5a. ILCB should issue a memorandum to the field describing the fact that Dun and Bradstreet financial reports are used to make preliminary judgments regarding the fiscal stability of already-certified schools. Any other factors used to trigger a nonroutine certification review should also be explained in this memorandum.

Recommendation 5b. ILCB should issue a set of formal guidelines describing the conditions of financial risk under which performance bonds may normally be required as a prerequisite to certification. These guidelines would help avoid the appearance that ILCB staff are "picking on" particular schools.

Recommendation 5c. ILCB should issue a set of formal guidelines describing circumstances under which deferred debt may be considered to be part of current liabilities for an applicant proprietary school utilizing an accrual accounting method.

Finding 6. The Lack of a Workable Automated Data Processing (ADP) System for Eligibility Files Adversely Affects Efficiency

The current lack of functional automated institutional eligibility files* is a hindrance to all users of these files. To check the eligibility status of an institution now requires a time-consuming manual file search and often an on-the-spot extrapolation of current eligibility status based on the status that was conferred at some past date. There are numerous reasons for failure of past efforts to automate these files; it is important to note especially that these efforts have generally lacked sufficient:

- understanding of the complexities of the eligibility determination process;
- resources to verify the files and maintain them over time; and
- training and participation of the affected staff to build in a sense of personal confidence and ownership.

All three factors must be addressed in future efforts to automate the eligibility files. A fourth factor that must be addressed is the lack of

*At present, the CASPER files are used mainly for OPE statistical analysis purposes.

any single accurate set of eligibility data upon which to base a new file or to correct the CASPER files.

Recommendation 6a. The conceptual basis for a new automated eligibility file (NAEF) should be different from the one used when the CASPER files were created. If it were created from the existing eligibility letters (as CASPER was created), a list of eligible programs for each institution would be 20% out of date even if it were created overnight with perfect accuracy. Instead, the NAEF must be constructed to contain the institutional data by which eligibility decisions are guided. Programming logic can then be designed to simulate the process used by the EAES staff to render the eligibility letter at any point in time.

It was beyond the scope of this study to create the required programming logic; but suffice it to say that the NAEF would have to contain, at the minimum, the contents of the Form 1059 along with a set of indicators that would dictate the use of special logic procedures (e.g., for religious institutions, service academies, professional schools). Assignment of these indicators would of necessity continue to be an EAES staff function.

Recommendation 6b. Adequate resources must be committed in advance to ensure the off-line construction and complete verification of the NAEF. While EAES staff must be involved in training those who would enter the institutional data into NAEF, their primary commitments during file construction should be to the everyday functions they have mastered.

Recommendation 6c. The ADP system based on NAEF should be developed so that it will be accessible to all current and future EAES staff. Ideally, each staff member will be trained to access NAEF data, utilize the data to produce eligibility decisions (and, of course, routine letters, rosters, and reports, as needed), and update and correct NAEF data as required. Modern interface equipment and system security procedures can reduce to practically zero the dangers of accidental file destruction posed by multiple users.

Recommendation 6d. OPE computer planners should strongly consider the possibility of having NAEF created by and reside on an EAES micro-computer, rather than at some external site accessible only by terminal. By so doing, EAES staff will be given a greater sense of permanence and ownership in the NAEF-based ADP system than they have had in the past.

The NAEF could be tapped by other Departmental computers on a periodic or even on-line basis using microcomputer data base management systems that are currently available (and even more sophisticated systems soon to be available).

Recommendation 6e. In creating NAEF, OPE planners should consider obtaining much of the needed data regarding addresses, accreditation status, and dates in machine-readable form directly from (primarily the proprietary school) accrediting associations.

Finding 7. Recertification Following a Routine Change of Ownership Is Extremely Slow

Accreditation agencies have procedures by which school officials contemplating changes of ownership can expedite the process. In general, disclosures and fiscal data are filed prior to the date of ownership transfer and evaluated; then, on the actual transfer date, only a brief hiatus is normally required until accredited status is renewed. A similarly brief hiatus occurs with eligibility changes.

ILCB's failure to allow prefiling of financial data and administrative information causes a lengthy hiatus in program participation, which can be very damaging to the plans of enrolled students who are expecting financial aid awards but cannot obtain them.

Recommendation 7. ILCB should develop a procedure by which fiscal stability and administrative capability data on prospective owners who have entered into purchase contracts can be evaluated prior to the actual date of ownership transfer. Institutions that wish to facilitate their recertification process should not be discouraged from doing so.

Finding 8. No Mechanism Exists for Informing Other ED Programs Regarding Adverse Title IV Certification Decisions

When ILCB refuses to recertify an institution for Title IV program participation, there is currently no formal mechanism for notifying other ED programs of this decision. So, for example, a school that has just been terminated from the GSLP might the next day receive a Title III grant.

Recommendation 8. ILCB should routinely notify all other ED programs of adverse actions it takes against institutions for failure to abide by Title IV program regulations. In so doing, ILCB might use the established EAES network for distributing copies of eligibility termination letters.

Finding 9. A Considerable Proportion of PRB Staff Effort Is Spent In Smaller Schools

As described earlier in this report, the PRB weighting factors for determining program review priorities shift the bulk of the reviews to smaller (usually proprietary) schools. These schools, while doubtless more prone to maladministration, account for a relatively small proportion of Title IV fund disbursements.

Recommendation 9. PRB should strongly consider the addition of a "funds-disbursed" factor to its program review priority weighting criteria. The purpose of this factor would be to ensure that a higher proportion of PRB staff time was spent in larger institutions where the bulk of Title IV funds are expended (and where a small but systematic error in administration can waste far more Title IV funds than are misspent in dozens of smaller schools).

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